DOCUMENT RESUME

ED 236 369 CE 037 424

AUTHOR Bendick, Marc, Jr.
TITLE Dislocated Workers and Midcareer Retraining in Other Industrial Nations.
INSTITUTION Urban Inst., Washington, D.C.
PUB DATE Aug 83
NOTE 27p.; Paper presented at a conference on "The Displaced Worker Problem: Implications for Education and Training Institutions" (Washington, DC, September 13-14, 1983).
PUB TYPE Viewpoints (120) -- Speeches/Conference Papers (150)

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS Adult Vocational Education; Career Education; *Developed Nations; *Employment Programs; *Employment Services; Foreign Countries; Job Training; *National Programs; *Retraining; *Unemployment
IDENTIFIERS Canada; *Dislocated Workers; France; Sweden

ABSTRACT

Market-oriented industrial nations other than the United States have experienced rapid structural changes in their economies and reemployment problems among dislocated midcareer workers. The Swedish active labor market approach is a socialized one. This system has been criticized for excessive reliance on microeconomic labor market programs to address unemployment problems to the neglect of macroeconomic approaches. In Canada, the Manpower Consultative Service, an agency of the national government, exists specifically to deliver temporary worker adjustment assistance to communities undergoing economic crisis. Essential elements of this system include mandatory advanced notice of massive layoffs or plant closures, economic development as a major part of its approach to aiding communities, serving of the needs of disadvantaged individuals through the same agency serving the mainstream work force, and assistance with job searching and placement. The French Further Vocational Training System obligates employers to make annual contributions to the financing of training courses. Targeting would overcome the difficulty of disproportionate funding for nonblue-collar workers. The degree of similarity of social, cultural, and institutional backgrounds between Canada and the United States makes Canada the most likely base for providing a program idea to transfer relatively intact to the United States. (YLB)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED236369

DISLOCATED WORKERS AND MIDCAREER RETRAINING IN OTHER INDUSTRIAL NATIONS

by

Marc Bendick, Jr.

August 1983

This paper was prepared for presentation at a conference entitled "The Displaced Worker Problem: Implications for Education and Training Institutions" organized by the National Center for Research in Vocational Education in Washington, D.C., September 13-14, 1983.

CE 037434

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

✓ This document has been reproduced as received from the person or organization originating it.
Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

THE URBAN INSTITUTE
2100 M Street N.W.
Washington, D.C. 20037
(202) 223-1950

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

M Bendick

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

Marc Bendick, Jr., is a senior research associate at The Urban Institute, Washington, D.C.

MARC BENDICK, JR.

DISLOCATED WORKERS AND MIDCAREER RETRAINING IN OTHER INDUSTRIAL NATIONS

INTRODUCTION

The United States is by no means unique among market-oriented industrial nations in experiencing rapid structural change in its economy and reemployment problems among dislocated midcareer workers. Shipyard workers in Sweden, textile workers in France, steelworkers in Great Britain, coal miners in Germany, and auto assemblers in Canada have each faced plant closures and employment reductions paralleling those in similar industries in the United States (McKersie and Sengenberger 1983, OECD 1983). This paper examines the experiences of three such nations in addressing this problem, drawing therefrom useful lessons for American initiatives. The three nations, in the order in which they are discussed, are Sweden, Canada, and France.

THE SWEDISH "ACTIVE LABOR MARKET" APPROACH

The Swedish concept of the public role in the labor market is radically different from that in the United States. Their system is a socialized one, with government given prime or exclusive responsibility for many activities

which in the United States are left to free enterprise. For example, with only a few exceptions, private employment agencies are illegal in Sweden, and Swedish law requires that all job vacancies be listed with the public labor exchange. At the same time, the private sector is very active in guiding the work of the public labor market agency. The so-called "social partners"--business and organized labor--sit as the controlling members of the public Labor Market Boards (AMS) at both the national and local levels. This tradition of cooperative, tripartite decisionmaking among representatives of government, business, and labor has deep historical and social roots in Sweden (Rehn 1982). Tentative and neonascent efforts at such arrangements in the United States--such as the Private Industry Councils (PICs) under the Job Training Partnership Act--are not really comparable in terms of the centrality of their role in decisionmaking. The two systems also differ in that business is given the majority voice on American PICs, while in Sweden, organized labor generally dominates the system.

Public sector employment and training activities in Sweden also differ from those in the United States in the sense of being generously funded. The annual budget of the Swedish Labor Market Board amounts to about three percent of Sweden's gross national product; the comparable figures in the United States is about one-quarter of one percent. In 1981, the Board spent about $450 for each member of the Swedish labor force. The comparable American figure was less than $100.

These expenditures in Sweden cover a broad range of activities, including not only training (in government training centers and on-the-job within private firms) but also job search assistance, relocation allowances, wage subsidies, work aids to encourage employment of the handicapped, "relief work" on public projects, regional economic development initiatives, and even public subsidies

to private firms to retain surplus workers rather than laying them off during a recession (e.g., by placing them in company-provided training or by producing to stockpile inventories) (Ginsberg 1983).

For such activities as training, counseling, and job placement assistance, any unemployed person (or person who is in danger of becoming unemployed) is eligible, and the services are utilized by the majority of those seeking work. In the United States, of course, the public sector role in the labor market is generally focused on providing assistance to special-need groups, such as the handicapped or disadvantaged; this focus is achieved both by formal eligibility rules in many programs (e.g., CETA or JTPA) and by the often poor quality of services offered in other cases (e.g., the Job Service). In Sweden, publicly-provided services dominate the labor market both because they are generally universally available--without income-eligibility or other categorized restrictions--and because they are of high quality and recognized value.

One indication of the latter phenomenon at work is given by the listing of job vacancies by employers with the public labor exchange. Such listing is mandatory, and about 90 percent of vacancies are estimated to be listed. However, in the period prior to imposition of this legal mandate, some 65 percent of vacancies were already being listed--largely because employers recognized that the public labor exchange was on an effective system for finding high quality employees. Similar things can be said about occupational skill training provided by Swedish government training centers. These centers are staffed by well-paid, high-quality craftsmen and educators; offer in-depth, long duration courses providing the same depth of training as pre-career students receive in regular vocational schools; utilize up-to-date equipment and state-of-the-art technology; and attract a broad range of trainees, mixing "disadvantaged" trainees with "mainstream" workers and the employed with the unemployed.

Small wonder that a training certificate from such institutions are considered an excellent job credential and carries none of the stigma which participation in American programs such as CETA often has.

Given the range and quality of existing public labor market institutions just described, special initiatives to serve the victims of economic and technological change required only minor modifications to implement.

One typical component of this modification is to move the intake function for reemployment services to the plant site itself, so that enrollment for unemployment benefits, counseling and testing, job search, and other services can be provided immediately and conveniently. As part of the tradition of tripartite cooperation, employers often provide office space, and sometimes supplementary staffing, for these efforts. A legal requirement of advance notification for any large layoff or plant closure facilitates beginning the reemployment process before unemployment actually begins. While intake activities are brought to the plant site and are otherwise adjusted to match the special circumstance of mass layoffs, workers are rapidly channeled through these intake processes into the regular stream of services offered by the Labor Market Board. Thus, for example, dislocated workers undergoing skill retraining will be trained not in a special program for them but in the regular classrooms of ongoing government training programs.

A second modification of the system for dislocated workers is that special legislation for certain industries provides special wage assistance for workers to support their time spent in seeking new employment. The Swedish shipyard industry, for example, is undergoing long-term decline. If a shipyard worker who is not yet laid off needs time off during the work week to interview for a new job, then the employer must release him for the needed time, and special government funds will pay him his regular wage during those hours.

Finally, the Swedish government makes special economic development efforts to recycle the plant and equipment of shrinking firms, with the idea that the new jobs generated will reabsorb some of those losing their employment. In the case of government-owned shipyards, for example, the government has offered unused factory space and equipment either free or at a highly reduced price to small enterprises (e.g., small furniture companies) being founded by former shipyard workers.

However, these special efforts on behalf of those who become unemployed as part of a recognizable dislocation--such as a plant closure--are swamped in terms of their magnitude by the assistance which is available to dislocated workers simply by being unemployed. Therefore, evaluation evidence concerning the effectiveness of the assistance offered specifically to the dislocated is close to nonexistent, and we must rely instead on examinations of the "active labor market" system more generally.

On the positive side, it is clear that the quality of employment and training services offered by the public sector in Sweden is high. Programs are well-funded. To work for one of the public employment and training agencies is considered an excellent career. Labor, business, and the voting public are supportive of the activities. Both for training and for placement, the public system is the mainstream institution for the nation. The situation seems to be a self-reinforcing one which comparable American institutions might well envy: Excellence in sevice breeds public support; public support provides the resources and the mandate to provide excellent services.

Two more cautionary notes must be struck, however, to balance this favorable picture.

First, it is not obvious that the total amount of investment in labor market acitivities is greater in the Swedish system than in the United States.

Much of the Swedish public sector activity may simply be replacing what would otherwise have been purchased by the private sector, either by employers for their employees or by employees themselves. Consider the figure, presented earlier in this paper, that the Swedish public employment and training system spends about $450 per year per member of the work force, while the American public sector spends about $100. The American Society for Training and Development (Carnevale and Goldstein 1983) tells us that the American business sector spends perhaps $30 billion per year in training its employees, which corresponds to about $300 per year for each member of the work force. Private employment agencies in the United States enjoy annual sales of more than $250 million, which adds another few dollars per worker. Totaling public and private expenditures in the United States, we get approximately the same amount per worker as is spent by the public sector in Sweden. While such crude comparisons are hardly definitive, they should serve to remind us that a larger governmental role by no means necessarily means a higher total level of activity.

Of course, the shifting of responsibility from the private sector to the public sector might still be important if, within an unchanged total, resources are spent on different individuals or for different purposes. In the United States, for example, we know (Bendick and Egan 1982) that in the training activities supported by private firms--

- employees of large firms get more training then employees of small firms.
- white collar employees get more training than blue collar employees.
- the more general education and training a worker has, the more likely he is to receive additional training; and
- "disadvantaged" workers tend to be underrepresented in the hiring and training stream.

In the Swedish system, these patterns are overcome to some extent. Extensive counseling efforts are expended to encourage participation in training by less-educated, blue collar workers, and special pedagogical techniques are used to make training situations more comfortable for adults (Bendick 1983d). But the Swedes are candid in admitting that not all such patterns are overcome, even in their socialized system. Many of the American dislocated workers experiencing the most reemployment difficulties are precisely those individuals which even the Swedish system has had the most difficult time reaching--blue collar manufacturing workers with limited general education and low skills (Bendick 1983a, Bendick and Egan 1982, Bendick and Devine 1981). Therefore, while many of the specific techniques which the Swedes employ to reach such workers may be usefully emulated in the United States (Bendick, 1983d), we unfortunately cannot find even in the Swedish experience any full answer to the problems of providing education and training to this difficult-to-serve population.

A second and related cautionary note should be sounded about the payoffs to the services provided by the Swedish system, particularly skill retraining. There is a tendency in the Swedish system to place any unemployed worker who cannot be immediately reemployed into occupational training, in some cases regardless of whether or not the new skills to be acquired will significantly alter his or her productivity or employability. For example, on a recent visit to Sweden, I observed a large number of workers receiving training as welders. When I remarked that this surprised me because I believed welding to be an occupation for which demand was declining, I was given two explanations for the activity. First, it was said to be preferable to have unemployed workers actively receiving training rather than sitting idly at home while unemployed--even if the training was not very useful in the future employment. Second, it was said that if the work force in general possesses many diverse skills, then

the structure of occupations will be influenced in the direction of maintaining "job quality". For example, if all building maintenance workers know how to weld, then their jobs will continue to be defined as a job requiring this special skill. Their job will not be reduced to a routine one with lower skill requirements, with welding farmed out to a specialist. Thus, the motivation to invest in retraining the unemployed in Sweden seems often to be sociological or psychological in nature, rather than economic; the goals are to support the work ethic or to influence the nature of work, rather than to enhance an individual's immediate employability or productivity.

In saying that the objective of such training activities are psychological or sociological rather than economic, I by no means wish to suggest that they are less important or less legitimate. However, I do wish to alert readers to the fact that much of the Swedish investment in training and other "micro" labor market policies may serve such ends and should therefore be examined cautiously as a model for an effective, immediate-payoff reemployment strategy for American dislocated workers.

More generally, the Swedish system has been criticized for excessive reliance on microeconomic labor market programs to address unemployment problems, to the neglect of macroeconomic approaches. To place unemployed workers in training or in "relief works" (the Swedish term for public service employment or job-oriented public works) may reduce the measured unemployment rate; but it does so largely by disguising unemployment rather than actually reducing it. At least one researcher has estimated that Sweden could reduce its "real" unemployment rate by shifting some of its emphasis away from microeconomic policies in the direction of macroeconomic initiatives (Johannesson and Schmidt 1982, Johannesson and Persson-Tanimura 1978).

THE CANADIAN MANPOWER CONSULTATIVE SERVICE

This concern about the proper balance between macroeconomic and microeconomic initiatives is a central one to American policy debate about dislocated workers. The traditional role assigned to government employment and training programs in the United States has been to promote the labor market opportunities of those who would remain "structurally unemployed" (or underemployed) even in a nonrecessionary national economy. A key question in discussions about dislocated workers, therefore, is: To what extent will workers currently on long-term or permanent layoff in the American economy be readily reabsorbed by an economy recovering from recession? How many among the millions of workers laid off from traditional manufacturing industries such as automobiles, steel, rubber, glass, and textiles are likely to return to their old jobs or to very similar manufacturing jobs not requiring major skill retraining or career transitions to enter?

Opinions vary a great deal on this subject (Ayres and Miller 1983, Bendick 1983a, Bendick 1983c, Bendick and Devine 1981, Bluestone and Harrison 1982, Hunt and Hunt 1983, Choate 1982, Levin and Rumberger 1983, Sawhill 1983, Sheingold 1982); and no definitive answer is possible until such an economic recovery is actually experienced. However, even the smallest estimates of the magnitude of the problem (Bendick 1983a) agree with the larger ones in saying that there is one pool of dislocated workers who will experience significant reemployment difficulties even in nonrecessionary times. These are workers disemployed as part of mass layoffs or plant shutdowns in communities already suffering very high levels of general unemployment or long-term decline. When an auto plant closes in Flint or Detroit, or a steel mill shuts down in Youngstown or Buffalo, those employees let go face serious structural reemployment difficulties in their "communities in crisis."

For a model of how effective government assistance can be delivered to such workers and their communities, we turn our attention to an innovative program in Canada called the Canadian Manpower Consultative Service (MCS). This agency of the Canadian national government exists specifically to deliver temporary worker adjustment assistance to communities undergoing economic crisis. The MCS in operation can be described as follows: (Barth 1982, Barth and Reisner 1981, Batt 1983, Bendick 1983a):

> When a plant shutdown or mass layoff situation arises, the MCS becomes involved immediately and temporarily (e.g., for a six month to twelve month period). Thus, it supplements established local labor market institutions at a time of peak demand.
>
> MCS's major role is that of coordinating, facilitating, and encouraging the mobilization of local resources, primarily those of local employers and local unions, into a committee. It brings in a modest amount of matching funds for administrative expenses and the services of a case officer, but local government and private resources must also be contributed.
>
> All workers involved in the job reduction are contacted to see if employment assistance is desired. (Typically, 70 percent respond affirmatively.) Each individual expressing interest is then interviewed individually to determine the most appropriate form of assistance.
>
> Those workers who need or desire career counseling, training in job search skills, retraining, or relocation assistance are referred to the Canadian equivalent of the Job Service for such assistance.
>
> The major form of assistance provided to most workers--some 64 percent of all cases--is direct placement assistance. Here, the key role which the MCS and local committee play is to bring into the open jobs in the "hidden labor market" (i.e., those which are typically filled by word of mouth).

As I would envision something like the MCS in opertion in the United States, it would copy some aspects of the Canadian approach and modify others. For one thing, the U.S. Job Service is not generally equipped to provide extensive career counseling or training in job search skills. Therefore, an MCS-like agency would have to bring in the necessary skills and resources. Second, I would see an MCS-like intervention being triggered not only by a mass layoff or plant closing but also by long-term regional decline or persistent unemployment. Third, I would open these services to all persons in the labor force in

a locale, not just those directly affected by a layoff; this is because all job seekers in a labor market have increased difficulty finding jobs following a layoff because of the increased competition from those laid off. Along with these modifications, however, I would preserve other key aspects of the MCS approach: the role as a supplementer of existing services on a short-term basis, the tailoring of services of the needs of each individual worker, the nonbureucratic style of operation, and the emphasis on mobilizing and enhancing local resources.

In the operation of the MCS, as in the operation of the Swedish Labor Market Board, one essential element of the responsiveness of the system to the needs of dislocated workers is a system of mandatory advance notice of mass layoffs or plant closures. Such notice allows the public agency to begin to serve those facing unemployment prior to their actually being laid off. This early provision of services appears to be important psychologically, in that it reaches workers very soon after the stress of the dismissal, providing counseling, support, and a future orientation to combat the anger, frustration, and bitterness which are typical reactions (Bendick 1983c) Contacting workers is also significantly easier before their layoff then after. Finally, early intervention is particularly important in systems, such as the MCS, which rely on local employers and unions to provide at least some of the resources for worker reemployment efforts; at the early stages of the process, companies and unions have both more interest and more resources. Legal requirements to provide advance notice have been extensively discussed in the United States in "plant closing legislation" pending in a number of states and enacted in two states; and such notices requirements are sometimes also included in union collective bargaining agreements (Bendick 1981b). The important point to notice in other nations' experience with advance notification is that the

advance notice immediately triggers a significant amount of public activity. To impose a requirement for advance notification without also creating some system to respond to the layoff or closure would be to achieve a largely pyrrhic victory. It would also be difficult to achieve politically because the presence of government services to aid their workers provides a partial quid pro quo to firms for the disadvantages of having to reveal their business intentions.

A further central aspect of the MCS approach is that economic development--the promotion of existing local employers or the seeking of immigrant companies--is a major part of its portfolio of approaches to aiding communities. That is, if local circumstance dictate, MCS expertise and resources can be targeted on the creation of demand for workers, not just on enhancing the supply (through placement or training). In the United States experience, the economic development function and the worker development functions are all too often handled by separate state agencies and typically in an uncoordinated fashion. The MCS pairing of the two approach to aid communities in crisis is a useful reminder of the complementarity of the two types of activities.

The MCS also offers an interesting echo of a theme in the Swedish experience, that of serving the needs of distresssed or disadvantaged individuals through the same agency which serves the "mainstream" work force. In the MCS case, this occurs through a mandate for the agency to provide its assistance not only to communities experiencing labor surpluses from mass layoffs and plant closures but also to communities enjoying economic expansion and are labor-short. Such a dual mandate is not only efficient in providing for potential pairing of surplus and shortage areas and in drawing upon similar agency capabilites. It also prevents the MCS from becoming stigmatized as

being exclusively associated with "unattractive" communities and hard-to-employ workers.

Finally, it should be noted that in the MCS experience, many--certainly at least a majority--of dislocated workers are assisted with job search and placement assistance rather than with skill retraining. This has been the experience both of the Canadian MCS--for which a 64 percent figure was cited above for those receiving only search and placement assistance--and for such United States programs as the Downriver Project (where some 85 percent of service recipients receive only job search assistance). The reasons for this emphasis are numerous but can be summarized in the assertion that most workers will eventually be reemployed in jobs requiring a skill level not particularly higher or different from what they utilized in their previous jobs. This will be true both because the skill composition of job vacancies is moving upward only slowly and because many dislocated workers are not ideal candidates for training (Bendick 1982a, Bendick 1982c, Bendick and Devine 1981, Levin and Rumberger 1983). The Canadian experience confirms much of the American experience to suggest that reemploying dislocated workers is predominantly a matter of placement rather than retraining.

THE FRENCH "OBLIGATION TO SPEND" ON TRAINING

The fact that, for most dislocated workers, retraining is not the path to remployment should not be interpreted to mean that mid-career retraining is an unimportant need in the labor force of a modern industrial nation. There is constant and accelerating change in the composition of output in the American economy and in the technology with which it is produced. These changes, in turn, dictate that the occupational mix in the economy is constantly changing, and also that the skills involved within each occupation is also changing. However, it is important to recognize that these changes occur gradually; that

most of the new skills required in the evolution of jobs are acquired incrementally; and that most retraining of mid-career workers occurs among the employed, not the unemployed. A high level of mid-career retraining among the employed is probably one of the best defenses an economy can erect against the abrupt dislocation of its work force.

Earlier in this paper, I cited an estimate of perhaps $30 billion per year as the amount which private employers currently expend on training their employees. Large as this number is, there is reason to believe that it is still less than the socially optimal level of investment for the American economy. Due to the presence of what economists refer to as "private market failures," the American private sector acting alone persistently underinvests in the skills needed by its own work force (Bendick 1983a, Bendick 1983c, Bendick and Egan 1982, Stoikov 1975). These market failures hamper both investment by employers in training their current employers and employees' investment in training themselves.

In the case of employers, investment in worker training, like any other investment decision, is decided upon largely in terms of the return on this investment. When workers are free to move from company to company, it is risky for an employer to spend thousands and thousands of dollars to give a worker a skill in great demand, because that firms' competitor will try to hire that worker away the minute his training is complete. When all employers together react to this fact, we get a situation where everyone needs a skilled labor pool but nobody will pay for it.

As for employees, we do see a great deal of self-investment by workers. When a high school graduate goes to college, or when you or I take a job despite a low wage but "because it is good experience," that is precisely what is going on. But in an era of rapid economic and technological change, more and

more workers are faced with the need to make a major investment in their own retraining at midcareer. Such bouts of midcareer formal training are difficult for workers to finance. First, they require quite a cash flow, both to pay for the instruction itself and to support the worker and his or her family while the training is proceeding. This can be a particular problem if the worker wishes to undertake retraining when unemployed, when cash flow is tightest and when--in the current American system--both the Job Training Partnership Act and (in most states) the unemployment insurance program--will not provide income maintenance during training. Second, because formal midcareer training is very expensive, individuals may be reluctant to undertake such a sizeable investment when there is no certainty that it will pay off. And finally, there is a problem of information: Individuals may not be well enough informed about trends in the labor market to pick the right field in which to be trained.

The training gap between what the private sector is currently providing and the ever-increasing training needs of society might perhaps be effectively addressed in a way modeled on an aspect of French public policy. Since 1971, the French have operated a national system for financing worker training which creates an effective public-private partnership to address exactly the problems outlined. The key element of the system is what the French refer to as an "obligation to spend," enforced by a payroll tax if that obligation is not met.

The French Further Vocational Training System was established by an agreement between employers' associations and trade unions concluded in 1970 and reinforced by laws in 1971 and 1976 (Legave and Vignaud 1979, Bendick and Egan 1982). As a central feature of this system, every employer of ten or more employees must make an annual contribution to the financing of training courses. Contributions are calculated as a percentage of the firm's total wage

bill, with the percentage specified annually by the government in its yearly Finance Act; currently, it is set at 1.1 percent.

Employers may satisfy this contribution requirment in any of several ways:

- By financing internal training programs for their own workers, either conducting the training themselves or paying for the services of an outside training establishment through a multiyear agreement.
- By making a financial contribution to an industry-wide training insurance fund, established by agreements between employers or employer associations and trade unions. These funds may be national or local.
- By making a financial contribution to programs for unemployed persons in training centers approved by the government.
- By paying their contribution into the government treasury.

Thus, if the firm chooses to train its own workers and spends at least the 1.1 percent minimum, then its obligations are discharged. Or the firm may meet the requirement by participating in and financially supporting an industry-wide training fund which serves its own employees. But the firm might as well spend on one of these forms of training, because if it fails to meet its obligations to spend, then the unspent balance of the 1.1 percent is due to the government as a payroll tax. In practice, the majority of funds are allocated to the first of these methods, particularly among large firms; about eight percent of funds to go the second method, primarily among small and medium-sized firms in industries with strong trade unions. Approximately 120,000 firms and over five billion French francs are involved each year; typically, one person in eight in the labor force receives some training during any year, with an average of 55 hours of training per trainee. Revenues may be used to finance trainees' wages during training as well as the out-of-pocket costs of the training itself.

Workers may take advantage of training opportunities under this fund for a number of purposes, including "refresher" courses in their current occupations and advancement to higher-skill occupations. The funds may be called upon for

"adaptation" courses in which unemployed workers switch to new fields of work or for "preventive" courses in which currently-employed workers convert to new occupations created by technological change. Thus, the fund becomes a valuable device both to workers--in assuring continued employment despite economic change--and to employers--by providing a trained labor force for emerging labor force needs.

Because the system provides wage replacement benefits and tuition payments to workers, it tends to overcome the "cash flow" and "risk aversion" reasons that workers might not invest in their own training. By obligating employers to expend at least a minimum level of effort on training, it addresses their reluctance to invest in training for transferable skills("general human capital") whose benefits they may not receive. By increasing the amount of training provided to workers currently employed, it emphasizes prevention rather than cure. At the same time, by promoting training to workers by current employers, it reduces the situation of workers undergoing training "on speculation" in favor of training for job needs already planned for within a firm; this reduces the information and decisionmaking burdens on those workers--particularly blue collar workers--who are used to a system of adapting to employers' needs and have relatively little facility with career self-planning. Thus, such an approach can be seen primarily as addressing basic "market failures" in the retraining market, rather than the more ad hoc needs of dislocated workers per se.

One of the advantages of such an approach is its flexibility and decentralization of decisionmaking--much in the spirit of the Job Training Partnership Act. Decisions are made by employers (with a mandatory consultation process with unions, in the case of larger firms), in light of their firms' own needs. No vast amounts of money flow into and out of the public treasury, and no

government central plans or decisions constrain what a firm may do. Yet each firm has a profit incentive to use its training resources wisely, and all firms together are required to maintain a high level of sustained investment in the French workforce.

The experience in France with this approach has been highly favorable in terms of increasing the total volume of resources spent on training within firms. Particularly among smaller firms--those most subject to the tendency to underinvest (Schiller 1983)--the level of expenditures on training has increased steadily since the start of the system. Among firms of between 10 and 19 employees, for example, training expenditures as a proportion of the wage bill went from .47 percent in 1972 to .95 percent in 1980. The availability of industry-wide training fund has been particularly useful in making high-quality, professionally-organized training available to firms too small to run their own in-house training efficiently.

One difficulty frequently observed in the French system is that, while the total amount of investment in training has increased, a disporportionate amount continues to be spent on white collar, professional, and managerial employees, rather than on the lower-skilled blue collar workers where, in the United States, the greatest dislocation problems seem to occur. "Management development seminars" at pleasant country resorts or English-language instruction for upper-level managers are typical examples of such expenditures which are off-target in terms of dislocation prevention. They are perhaps more appropriately described as employment perquisites for higher level employees than hard-core skill updating. Such difficulties could be overcome fairly easily in the United States context through program regulations specifying targeting; it appears from the French experience that such controls would be necessary.

With that important modification, if the United States were to adopt a similar "employer obligation to spend" approach, we would move a long way toward addressing the problems of which dislocated workers are visible and important tip of the iceberg. And such a proposal is by no means a political absurdity. The leadership elements of the business community should be as enthusiastic in the United States as they are in France. Most major corporations already invest heavily in worker training. Their obligations under this system would already be discharged by their current level of activity, while their less active competitors (who have been stealing their staff) would be forced to carry their fair share. At the same time, the leaders of labor should be enthusiastic about a system which assures a sustained level of resources to make workers participants in and beneficiaries of technological and other economic change, not victims of it. A higher level of general labor force training would prevent a good deal of worker dislocation by providing in-house retraining as a substitute for dislocation, while currently-dislocated workers would benefit from the new entry-level employment slots which would be created as current employees move upward via training. Taxpayers stand to gain from reduced employment insurance and public assistance claims, and we all stand to gain from enhanced national productivity and international competitiveness.

Such a system could be adopted in the United States either directly or through one of several incremental strategies. One of the incremental strategies would involve reprogramming for training purposes some of the payroll tax fund already collected for unemployment insurance. The state of California has taken a step in this direction by reducing its payroll tax for unemployment insurance by one-tenth of one percent and creating a new payroll tax in the same amount for worker retraining and other adjustment programs. Another incremental approach would be to impose this obligation to train initially on

the defense industry where government purchases already create both a prosperous growth period and a basis for federal intervention. Chairman St. Germain of the House Banking Committee has recently introduced legislation to this effect in discussions of the proposed Defense Industrial Base Revitalization Act.

LESSONS FOR THE AMERICAN EMPLOYMENT AND TRAINING SYSTEM

This paper has provided only a highly selective review of the dislocated-worker activities of market-oriented industrialized nations outside the United States. Other nations besides the three we have examined have their own initiatives; and the three nations discussed offer other programs than those focused upon here (Wolfe 1979). Nevertheless, the three models examined here were selected because they are among the most provocative for policy discussions in the United States.

Of the various insights suggested by the experience of Sweden, Canada, and France, I would like to direct readers' particular attention to three:

- The experience of all three nations suggest that it is a mistake to equate midcareer retraining and dislocated worker reemployment. Canada correctly emphasizes placement and job development over training for the dislocated; France correctly emphasize training for the employed rather than the unemployed; and Sweden probably incorrectly overinvests in retraining the unemployed.

- All three nations in various ways deemphasize the uniqueness of the employment problems of dislocated workers and tend to address them through labor market institutions serving the labor force more generally. This is a different direction from that symbolized by Title III of the Job Training Partnership Act, which defines dislocated workers as a distinct population and establishes a separate program for them.

- Each of the three nations in a different way seeks to combine government, business, and labor resources and roles in addressing the dislocated worker problem, rather than devising a "government-only approach.

In my judgment, the degree of similarity of social cultural, and institutional backgrounds makes Canada the most likely base for providing a program idea which can be transferred relatively intact to the United States; France follows somewhat distantly in second place; and Sweden follows very distantly in third place. Yet at a more abstract level than the direct imitation of specific programs, each of the nations has something to teach us. These three general themes may capture some of those lessons.

REFERENCES

AMS. Swedish Employment Policy, Annual Report 1980/81. Stockholm: Labor Market Board (AMS), 1982.

Ayres, Robert U., and Miller, Steven M. Robotics, Applications and Social Implications. Cambridge, MA: Ballinger, 1983.

Barth, Michael. "Dislocated Workers." The Journal of the Institute of Socioeconomic Studies (Spring 1982).

Barth, Michael C., and Reisner, Fritzie. Worker Adjustment to Plant Shutdowns and Mass Layoffs. Washington, D.C.: ICF, Inc., 1981.

Batt, William L., Jr. "Canada's Good Example with Displaced Workers. "Harvard Business Review (July-August 1983).

Bendick, Marc, Jr. Assisting Coal Miners Dislocated by Sulfur Emissions Restrictions: Issues and Options. Washington, D.C.: The Urban Institute, 1981a.

Bendick, Marc, Jr. Government's Role in the Job Transitions of America's Dislocated Workers. Testimony before the Committee on the Budget and the Committee on Science and Technology, U.S. House of Representatives, June 9, 1983a.

Bendick, Marc, Jr. Plant Closure and Worker Layoff Procedures in the United States. Washington, D.C.: The Urban Institute, 1981b.

Bendick, Marc, Jr. Reemploying Dislocated Workers--Five Strategies for Pennsylvania. Testimony before the House of Representatives Committee on Appropriations, Legislature of the Commonwealth of Pennsylvania, March 9, 1983b.

Bendick, Marc, Jr. "The Role of Public Programs and Private Markets in Reemploying Workers Dislocated by Economic Change." Policy Studies Review (May 1983c).

Bendick, Marc, Jr. "The Swedish 'Active Labor Market' Approach to Reemploying Workers Dislocated by Economic Change." Journal of Health and Human Resources Administration (forthcoming 1983d).

Bendick, Marc, Jr., and Devine, Judith R. "Workers Dislocated by Economic Change: Do They Need Federal Employment and Training Assistance?" in Seventh Annual Report: The Federal Interest in Employment and Training. Washington, D.C.: National Commission for Employment Policy, 1981: 175-226.

Bendick, Marc, Jr., and Egan, Mary Lou. Recycling America's Workers: Public and Private Approaches to Midcareer Retraining. Washington, D.C.: The Urban Institute, 1982.

Blanchere, Michel. Continuing Education and Training, A File of Innovation in the European Community Member States. Berlin: European Centre for the Development of Vocational Training, 1978.

Bluestone, Barry, and Harrison, Bennet. The Deindustrialization of America. New York: Basic Books, 1982.

Carnevale, Anthony P., and Goldstein, Harold. Employee Training: Its Changing Role and an Analysis of New Data. Washington, D.C.: American Society for Training and Development, 1983.

Cassing, J.H., and Hillman, A.L. "A Social Safety Net for the Impact of Technical Change." Economic Record (September 1981).

Choate, Pat. Retooling the American Work Force: Toward a National Training Strategy. Washington, D.C.: Northeast-Midwest Institute, 1982.

Ginsburg, Helen. Full Employment and Public Policy: The United States and Sweden. Lexington, MA: Lexington Books, 1983.

Hunt, H. Allan, and Hunt, Timothy. Human Resource Implication of Robotics. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 1983.

Johannesson, Jan, and Schmidt, Gunther. "The Development of Labour Market Policy in Sweden and Germany: Competing or Convergent Models to Combat Unemployment?" European Journal of Political Research 8 (1980): 387-406.

Johannesson, Jan, and Persson-Tanimura, Inga. Labour Market Policies in Transition--Studies about the Effects of Labour Market Policy. Stockholm: Labor Market Board, 1978.

Legave, Catherine, and Vignaud, Dominique. Descriptions of the Vocational Training Systems: France. Berlin: European Centre for the Development of Vocational Training, 1979.

Levin, Henry M., and Rumberger, Russell W. The Educational Implication of High Technology. Palo Alto, CA: Stanford University, 1983.

McKersie, Robert B., and Sengenberger, Werner. Job Losses in Major Industries, Manpower Strategy Responses. Paris: Organization for Economic Co-operation and Development, 1983.

Meisel, Harry. Manpower Policies and Employment Promotion in the Federal Republic of Germany. Stuttgart: mimeographed, 1983.

Mintzes, Joseph. Scientific and Technical Personnel Trends and Competitiveness of U.S. Technologically Intensive and Critical Industries (A Comparison with Japan, West Germany, and France). Washington, D.C.: mimeographed, 1982.

Nollen, Stanley D. "The Current State of Recurrent Education," in Relating Education and Work, edited by Dyckman Vermilye. San Francisco, CA: Jossey Bass, 1977a.

Nollen, Stanley D. "Paid Educational Leave: New Element in Firm-Level Manpower Policy?" Proceedings of the Thirtieth Annual Meeting of the Industrial Relations Research Association, 1977b.

OECD. Positive Adjustment Policies, Managing Structural Change. Paris: Organization for Economic Co-operation and Development, 1983.

Reubens, B.G. "Responding to Changes in the Demand for Skilled Workers: The Experience of Other Countries." in Responsiveness of Traiing Institutions to Labor Market Demands, edited by Robert E. Taylor, Howard Rosen, and Frank Pratzner, pp. 305-328. Columbus, Ohio: The National Center for Research in Vocational Education, The Ohio State University, 1983.

Rehn, Gosta. Cooperation between the Governmet and the Social Partners on Labour Market Policy in Sweden. Stockholm: Swedish Institute for Social Research, 1982.

Sawhill, Isabel. Creating Jobs: Options for the 98th Congress. Testimony before the Committee on the Budget, U.S. House of Representatives, February 8, 1983.

Schiller, Bradley. "Corporate Kidnap of the Small Business Employee." The Public Interest (Summer 1983).

Schwanse, Peter. "European Experience." in Jobs for Disadvantaged Workers, The Economics of Employment Subsidies edited by Robert H. Haveman and John L. Palmer, pp. 297-328. Washington, D.C.: The Brookings Institution, 1982.

Sheingold, Steven. Dislocated Workers: Issues and Federal Options. Washington, D.C.: Congressional Budget Office, 1982.

Striner, Herbert E. Continuing Education as a National Capital Investment. Kalamazoo, MI: Upjohn Institute for Employment Research, 1971.

Sorge, Arndt. Microelectronics and Vocational Education and Training. Berlin: International Institute of Management, 1981.

Stoikov, Vladimir. The Economics of Recurrent Education and Training. Geneva: International Labor Organization, 1975.

Wolf, Martin. Adjustment Policies and Problems in Developed Countries. Washington, D.C.: The World Bank, 1979.